



# Public policies still alive within a liberalized environment : Insights from Costa Rica

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## Abstract

We carry out a comparative study of four farm sectors in Costa Rica, based on a dynamic analysis of behaviors regarding institutional changes occurring during the liberalization process. We highlight organizations' capacities to adapt and contribute to institutional changes by implementing economical activities and participating to policy making processes. We show that organizations play a key role in the regulation of farm sectors, and that their success depends on the institutional and organizational thickness they have contributed to create in each sector and responds to a path-dependent logic.

## Keywords

Organizations, policies, institutional change, pathdependency

## Maintien des politiques dans un environnement libéralisé : le cas du Costa Rica

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## Mots clefs

Organisations, politiques, changement institutionnel, dépendance au sentier

**JEL:** B52, D29, Q13, Q18

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Elodie Maître D'Hôtel\*

Pierre-Marie Bosc\*\*

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## **Introduction**

During the last thirty years, public policies in developing and developed countries have been shaped by the implementation of economic liberalization processes. Liberalization started at the turning point of the eighties with policy measures of withdrawal of the State, privatisation of economic sectors and removal of trade barriers in order to increase international trade. The process took on specific characteristics according to the sectors considered and was implemented in different ways depending on the economic and political set up in each country. Starting in Europe with the telecom deregulation, these policies rapidly affected the rural and agricultural sectors in the developing world. Debates focus on the advantages or on the negative effects induced by these policies. Different tools and methods are used either to promote such process based on global equilibrium models (Aksoy, Beghin, 2005), or to point out the conditions that hinder the benefits that can be expected from such policies within the same intellectual framework (Boussard et al, 2004). At a macro level, writers like Audley et al. (2003) and Polaski (2006) emphasize the impact of growing inequalities on the economy and especially on the agricultural sector, e.g. in such a symbolic production sector for Mexico as maize (Nicita, 2004; Von Bertrab, 2005).

In this era of economic and trade liberalization, producers' organizations have gained new space for action and negotiation<sup>1</sup>, especially in countries where recent political freedom has made it possible for them to organize and express their voice in public debates (Mercoiret et al, 1997; Bosc et al. 2002). This has been the case mainly in countries where public life was under the tight control of ruling parties, especially in Africa and Asia. The case of Latin America is slightly different since producers' organizations on the continent may show relatively different historical patterns of development. Some of these organizations rely on historical backgrounds and experiences gained throughout the 20<sup>th</sup> century, like in Uruguay,

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<sup>1</sup> Recently, World Development Report (World Bank, 2007) "Agriculture for development" has recognized the role of producers' organizations.

in Chile or in Colombia. The long democratic history of these countries – even interrupted by authoritarian regimes – established the foundation for collective action through organizations. This is also the case in Costa Rica, where producers have built a system of representation historically based on commodity chains, and more specifically in the coffee and milk sectors which represent two major components of the country's farming system<sup>2</sup>.

Our contribution is to bring elements to understand the conditions under which such organizations can influence policy making and the sectors' economy. We propose to study the period of liberalization of agriculture in Costa Rica as a major institutional change and to analyze the behaviors, achievements and outcomes of a selected sample of organizations. We consider as Producers' Organizations (POs) membership organizations that bring together farmers and producers, but also herders, fishermen, landless and indigenous people who live in rural areas. We also take producers in a broad sense adding to the scope of the definition the other actors that play a well defined role in the commodity chain: e.g. exporters, processors, etc. We will therefore consider as part of our study the organizations that correspond either to a specific type of actor (e.g. all the export companies for coffee) or the organizations that correspond to producers and other stakeholders. They are based on free membership and structured well above the community level from regional to national and international levels. If they may adopt various organizational and institutional forms depending on the contexts, they clearly belong to private sector or to what Uphoff (1993) calls the "collective action sector". But, they also contribute to the provision of public goods ranging from support systems including provision of services as capacity building, technical advices and information dissemination to producers up to public policy through negotiation in policy arenas. For analytical and exposure purposes, we will rely in the next sections on an

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<sup>2</sup> Even if their weight in the national economy has declined significantly in recent years, both coffee and milk sectors, with two distinct trajectories, shaped the political economy of the country (Rodriguez and Maître D'Hôtel, 2006). They remain key social and political sector closely linked to the social and economic history of the country (Melendez and Gonzalez, 1998 ; Peters and Samper, 2001, Edelman, 2005)

“ideal-type” distinction between “policy oriented organizations” and “market oriented organizations”, that has been adopted by scholars (De Janvry et al., 2004).

We have chosen to analyze the role of Producers’ Organizations in four different farm-sectors in Costa Rica, highlighting their policy making and economic activities as two synergic dimensions. Within specific institutional environments inherited from their own history as organizations, we show that liberalization policies do not affect uniformly producers, depending on the capacity of their organizations to negotiate specific conditions or measures. More specifically, we demonstrate that far from being uniform, sector policies are deeply affected by interactions between private stakeholders and the public sector within the same global macro-economic setting. We show that the magnitude of these interactions can lead to unexpected behaviors in view of the “standard” globalisation process as it is usually promoted. Either in deep-rooted farm-sectors or in new-born export ones, the ability of stakeholders to negotiate public support, even in the context of State withdrawal, remains a key objective. Our paper is divided in three main sections: the first one presents our theoretical and conceptual framework; the second one analyzes the policy-making activities of the organizations and a third one focuses on their economic dimension.

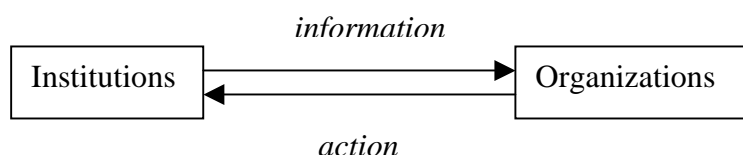
## **1. Theoretical and conceptual framework**

We focus on the institutional and organizational dimensions of economic liberalization process. These two dimensions can be analyzed using Douglass North’s institutional change approach (North, 1990).

### ***1.1 Theoretical framework***

Institutional change is ruled by permanent interactions between institutions, broadly defined as “*the rules of the game*” and organizations, defined as “the players” (North, 1990). These interactions can be formalized by the existence of an “*information / action loop*” (Hodgson, 1998), represented in Figure 1 below.

Figure 1: The information / action loop (from Hodgson, 1998)



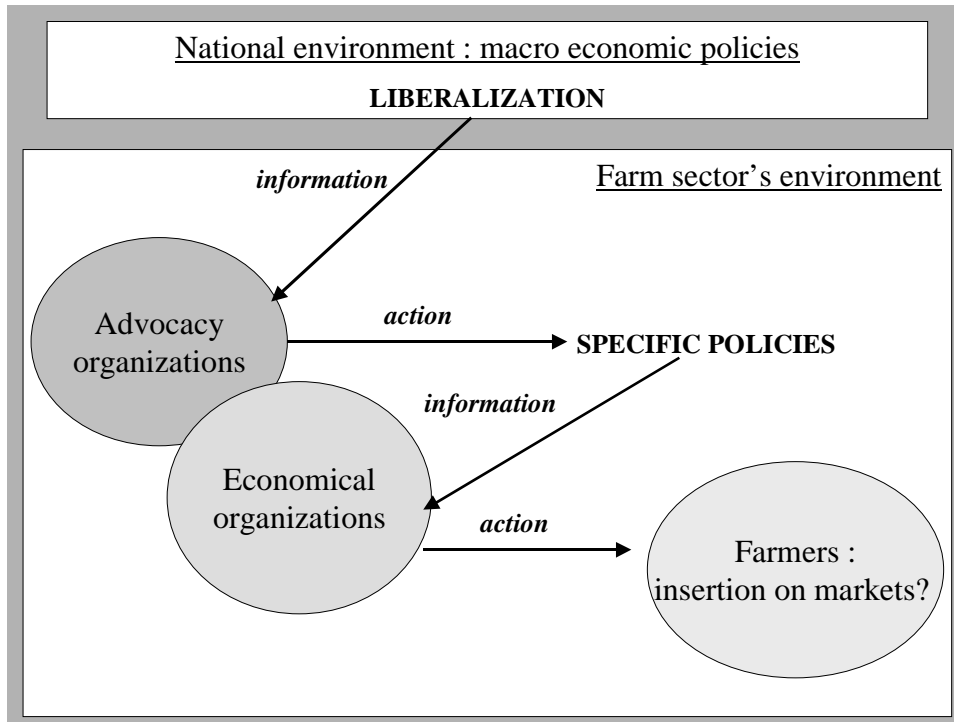
We use this approach to explain differences that emerge between farm sectors within the same global institutional environment, which can be assimilated to national economic policy. In Costa Rica, the liberalization process mainly consisted in State withdrawal from agricultural markets regulation and in frontiers opening, and can be considered as a major institutional change for agricultural activities. In the literature, the issue is addressed mainly by empirical analysis of the way producers adapt to institutional changes by developing specific economic activities. For example, the analysis tend to focus on producers' adaptation to trade liberalization (Ingco, 1995), to globalization (Reardon and Barrett, 2000; Ruben et al 2006), to specific economic reforms (McMillan et al, 1989; Lin, 1992) or to supermarkets development (Reardon et al, 2003; Dries et al, 2004). However, in developing countries<sup>3</sup> little work has been done on the way producers can collectively shape in return institutional changes by leading policy-making activities (Borras et al, 2008; McKeon et al, 2004; Pesche, 2006; World Bank, 2007). That is to say that, in most cases, institutional changes are considered as exogenous. In this paper, we analyze both organizations' participation and adaptation to institutional changes, showing that organizations' market-oriented and advocacy activities are interrelated and necessary to ensure an efficient market insertion for producers. Advocacy organizations, by participating to policy making activities and shaping specific policies, contribute to the definition of the economic environment under which market-

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<sup>3</sup> The interplay between producers' organisations and public sector negotiation formed the core of agricultural public policies in Europe through the different national based agricultural policies but also through the building of the CAP (Common Agricultural Policy). It has been a concern for scholars in sociology and politics for now more than half a century (see Fauvet et Mendras, 1958, Tavernier et al, 1972 et Collomb et al, 1990). For an analysis of the influence of these public policies on developing countries common agricultural policies see Balié and Foulleux (2008).

oriented organizations will develop their activities. Interactions between organizations (advocacy and economical ones) and institutions (policies) are at the core of our analytical framework that is presented below.

Figure 2: Analytical framework



We analyze the whole set of activities developed by producers' organizations, and we insist on advocacy activities as a means of enhancing market-oriented ones. The results of organizations are successively evaluated by:

- The capacity of advocacy organizations to influence the elaboration of specific policies (in this case, organizations participate to institutional change and institutions are considered as endogenous). We evaluate the degree of influence of advocacy organizations on specific policies, this degree being relative to the participation of other organizations in policy making processes (see section II).
- The capacity of economical organizations to ensure producers an efficient insertion on markets (in this case, organizations adapt to institutional change), following Berdegué intuitions on the performance of organizations (Berdegué, 2001). We evaluate the



efficiency of market oriented organizations in inserting producers on markets by calculating a ratio price paid by the organization regarding market price (see section III).

Finally, we provide insights on the relationships between advocacy and market oriented organizations: doing so, we show that political and economical spheres are mutually connected.

## ***1.2 Methods and materials***

We carry out a comparative study of four farm sectors (coffee, milk, black bean and pineapple), based on a dynamic analysis of organizations' behaviors regarding institutional change. The farm sectors have been selected according to two main criteria: the destination of products and an appreciation of the dynamics of production in volume (see Table 1). Coffee and pineapple are export products, while milk and bean are mostly destined to domestic markets. Coffee is tightly linked to the socio-political history of the country whereas pineapple can be seen as a typical product of the export oriented agricultural policy since 1984 (*Agricultura de cambio*). Black bean is part of the every day diet and was a widespread staple produced all over the country until recently. Milk represents a stable component of the farming systems backed by a strong co-operative system.

Table 1 : Criteria of selection of the four farm sectors studied

	Domestic market	Export market
Positive dynamics	Milk	Pineapple
Negative dynamics	Bean	Coffee

Partly, the farm sectors studied correspond to the typologies established by Poulton et al (2006) and Swinnen and Maertens (2007). These four sectors also represent contrasted organizational and institutional environments which can only be understood with reference to their specific historical trajectories.

We directly collected the data in Costa Rica, between April 2004 and November 2006, mainly through the realization of qualitative interviews with representatives of producers' organizations (21 organizations, 73 interviews), producers (160 interviews), representatives of public authorities (interviews) and private firms (10 interviews). The interviews were conducted at different levels, from the local level in the Huetar Norte Region to the national level in San Jose. We compared the information gathered with bibliographic sources and direct observations. In this paper we analyze the data collected by analytical descriptions techniques (Bates et al, 2000).

### ***1.3 Evolution of the four farm sectors studied***

Farm sectors are characterized by different trends that we describe in terms of number of producers, average producers' market share and production volume, both for exports and imports. These characteristics are presented in Table 2.

Table 2: Evolution of the farm sectors studied (extracted from National Coffee Institute and Ministry of Agriculture data and from Montero 2004, Salazar 2005)

	Coffee		Milk		Bean		Pineapple	
	1994	2004	1994	2004	1994	2004	1994	2004
Producers' number (1000)	89	59	9	5	21	6	0,6	3
Producers' market share (%)	50	35	90	95	100	25	10	20
Production (1000 t)	1 701	1 439	590	610	26	11	546	1 964
Exports (1000 t)	1 531	1 295	-	57	-	-	546	1 964
Imports (1000 t)	-	-	-	-	-	23	-	-

Market conditions vary widely depending on the farm-sectors considered. While in milk and pineapple sectors, expansion and dynamism seem to be the key words (volumes), in the bean and coffee sectors, crisis is on the agenda and the competitiveness of these sectors is threatened. Our point is that these differences may partly account for differences, between

farm sectors, in organizations' policy and market oriented activities. In the following sections, we demonstrate that producers' organizations can play a key role in farm sector sustainability, through improving market access (either to domestic or export ones) and participation in policy-making. Despite a general trend towards wider liberalization, some sectors still benefit from important public support.

## **2. The policy-making role of producers' organizations**

Let us now consider the specific policies that apply to the different farm sectors. Situations differ widely: milk and coffee sectors still benefit from significant public support that protects them against liberalization (regulation of coffee prices, high milk tariffs) whereas the bean sector has been fully liberalized (State withdrawal, removal of trade barriers) and the pineapple one emerged as a symbol of the new policy. For each farm sector:

- We present the organizational landscape: we describe advocacy organizations' behaviors. We qualify behaviors as pro-active when the organization directly lobbies within the right political space (where the final decision is taken) and defends its position on the basis of its own proposal, technically achieved. Using these broad types (pro-active *versus* defensive) is a means to analyze dominant behaviour regarding a specific time span and a reaction to a well defined institutional change; plus we show that organizations can move from one behaviour to another one through collective learning mechanisms (see below the case of bean sector).
- We explain the differences in results obtained in term of organizations' resources endowment. Each farm sector does have advocacy organizations that defend producers' interests, with the exception of the pineapple sector where only large scale producers' interests are defended. These advocacy organizations are presented below. In the milk and coffee sectors, producers' organizations always benefit from

participating in policy-making, which is hardly the case in the bean sector where the interests of industrials / importers tend to prevail during policy negotiations.

Table 3: Overview of policy-making processes at stake in each one of the farm sectors

	Coffee	Milk	Bean	Pineapple
Public support obtained	High price regulation	High market protection	Low market protection	Lobby at the EU
Advocacy organizations	3 organizations -Producers (Fenacafé) -Industrials (Canaca) -Exporters (Canaexca)	1 organization Canale	17 organizations -Producers: one farmers' union, 15 market oriented organizations -Industrials (Caningra)	1 organization Canapep
Coordination	Strong	Strong	Low	Strong
PO's behavior	Pro-active	Pro-active	Defensive	Pro-active
PO's results (influence degree)	62%	100%	33%	100%

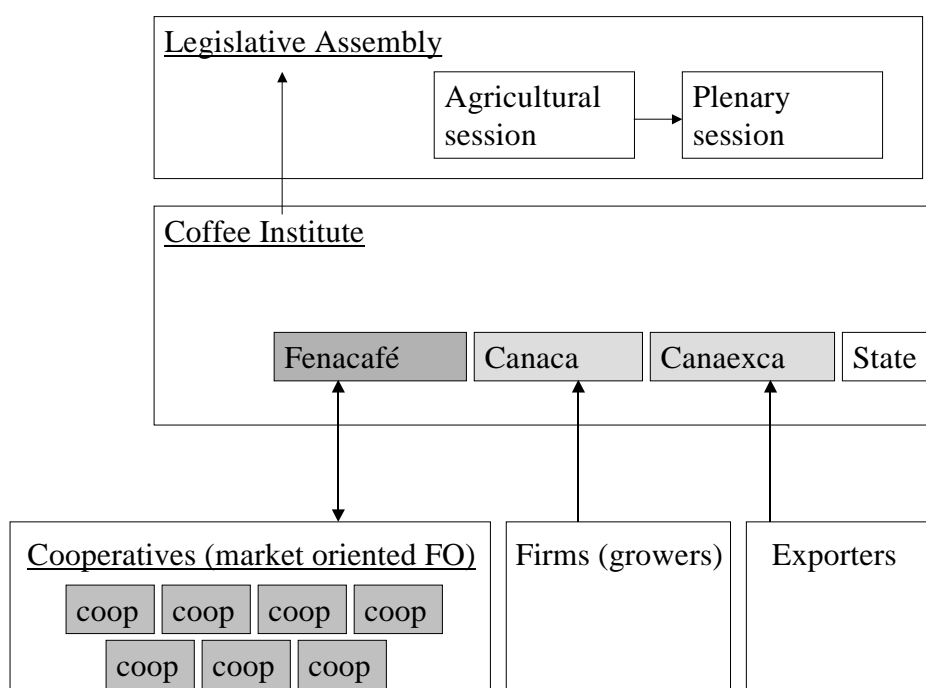
(Legend: Fenacafe = National Federation of Coffee Cooperatives; Canaca = National Chamber of Coffee Growers; Canaexca = National Chamber of Coffee Exporters; Canale = National Chamber of Milk Producers and Industrials; Caningra = National Chamber of Grain Industrials; Canapep = National Chamber of Pineapple Producers and Exporters)

## **2.1 Coffee sector**

In the coffee sector, the main policy challenge is to regulate national price in order to preempt international coffee price fluctuations. Since the beginning of the 20<sup>th</sup> century, producers have benefited from such internal regulation, which protected them against international price variations (Diaz, 2003). Gaining public support has traditionally been governed by the constant interplay of three advocacy organizations: the National Federation of Coffee Cooperatives, the National Chamber of Coffee Growers and the National Chamber of Coffee Exporters that represents the interests of producers, firms and exporters (Chaves, 2000). The interplay takes place within the Coffee Institute (see Figure 3), set up in 1933. The policy

making process usually begins with a proposal from one of the three organizations (when the proposal is made by the producers' organization, it is the result of a long consultation process with the members of cooperatives), followed by dialogue between the three organizations and the State (within the Coffee Institute), and ending with an internal decision, reached by a system of representative vote, and usually validated by the legislative power.

Figure 3: The policy making process in coffee sector



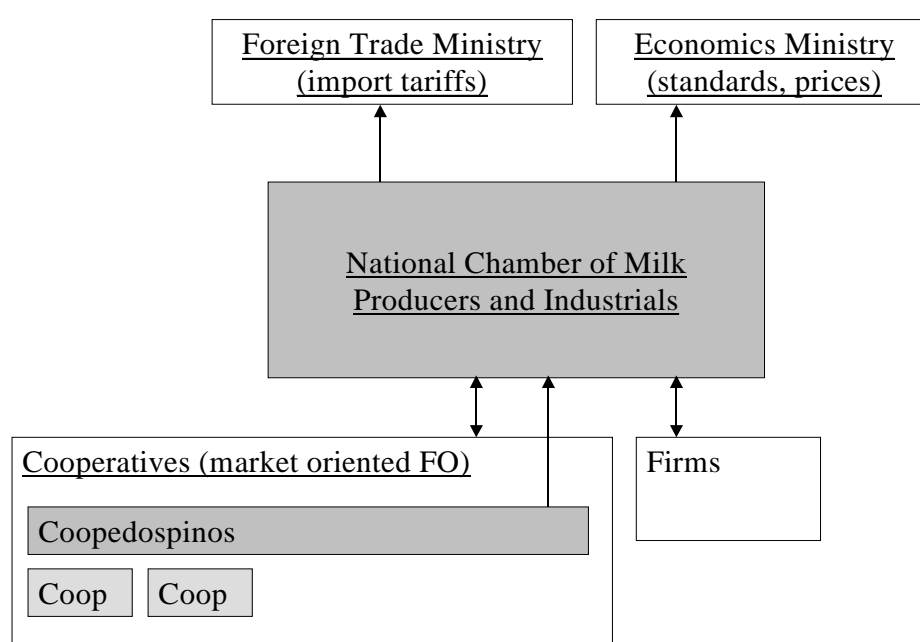
The final decision used to be a compromise between producers and others actors (growers and exporters), but since a few years, the Coffee Institute voting system has changed and producers have a higher influence (62%). One of the most important results of the interactions of the three advocacy organizations is the negotiation and creation in 1993 of a national coffee regulation fund aimed at weakening international prices fluctuations.

## **2.2 Milk sector**

Milk sector in Costa Rica has always been regulated through prices control until 1999 and through an import limitation system that shifted from quotas to tariffs in 1995 (Montero, 2004). These policies directly correspond to the actions of the National Chamber of Milk

Producers and Industrials, since its creation in 1962. The policy-making process usually starts with a proposal made by the Chamber that takes place after a consultation process with milk cooperatives and private firms, and is followed by negotiations with the executive power where the Chamber directly defends the proposal as a “sector position” (see Figure 4). Representatives from the Chamber have close relationships with representatives from Coopedospinos, a market-oriented organization that we will further present in section III.

Figure 4: The policy making process in milk sector

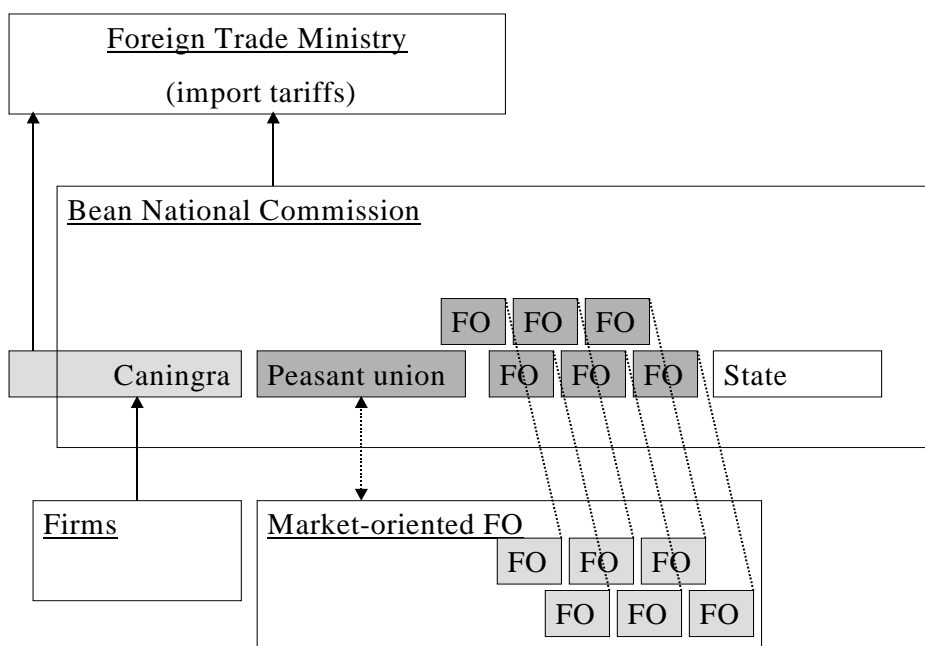


Nowadays, policy instruments at stake are import tariffs, directly negotiated between representatives of the Ministry of Foreign Trade and international trade experts from the National Chamber of Milk and from the CoopeDosPinos. Generally, the Chamber’s proposals are directly translated into policies (100% of influence): this influence tends to be enhanced by the economic weight of CoopeDosPinos and by the existence of personal ties between representatives of the executive power and those of CoopeDosPinos (Coopedospinos leaders did hold strategic positions in the government, such as Economics or Finance Ministers).

### 2.3 *Bean sector*

In the bean sector, from the producers' point of view, the main policy stake is to protect domestic production from imports, negotiating high tariff levels. The policy-making process is shaped by interactions between a myriad of producers' organizations, the industrial organization (National Chamber of Grain Industrials, mostly importers) and the State (as represented on Figure 5).

Figure 5: The policy making process in bean sector



Producers are represented by a producers' union that generally protests against State withdrawal from direct production support (without specifically defending bean producers' interests) and an average of 15 locally-based market-oriented organizations that are not specialized in advocacy activities and fail to coordinate their activities. On the other hand, industrials are represented by a professional organization that has quite good capacities to design appropriate policy proposals (high-level knowledge in international trade issues, good technical skills to analyze economic situations and to formulate policy proposals), and gain public support to lower import tariffs. At the beginning of the process, in 1995, there was no

platform for dialogue between these organizations, and the government tended to attend industrials' interests at a 100%. Nowadays, the process is ruled by the existence of the Bean National Commission (set up in 2003), that functions as a consultation forum and permits the producers to better defend their positions (influence of 33%). Discussions lead to internal decisions; however, the final policy decision often differs significantly from this internal decision. Indeed, the final decision on tariff is taken by the Ministry of Foreign Trade, and is generally the result of a negotiation process in which Caningra directly participates, and not producers' organizations.

## **2.4 Pineapple sector**

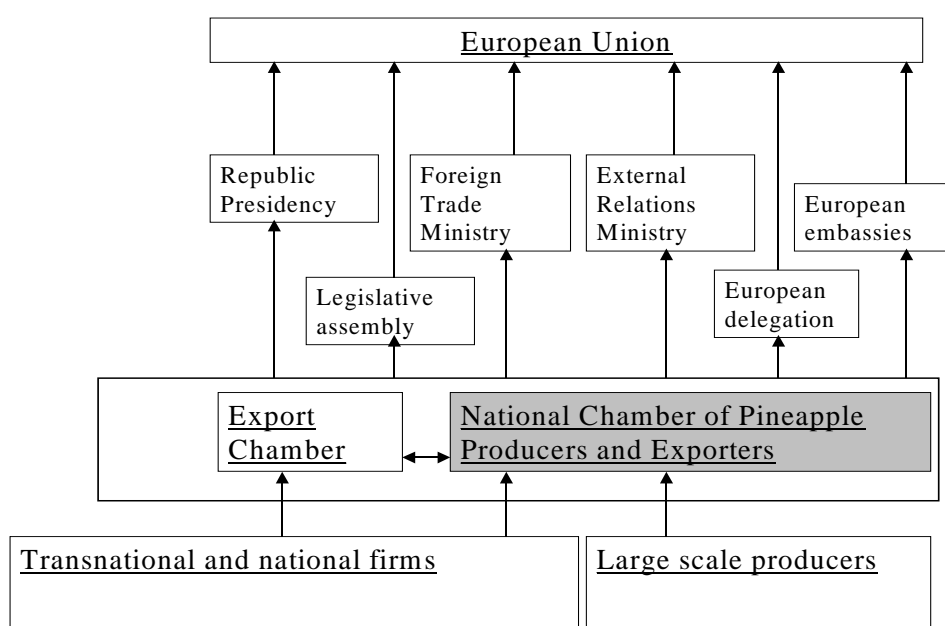
The situation in the pineapple sector is quite different: it symbolizes the “other side<sup>4</sup>” of the agricultural policies implemented at the time of Structural Adjustment Programs. Such policies were known as “*agricultura de cambio*” and were mostly oriented towards diversification for export markets. Their implementation led to a combination of free-market orientation (with multinationals in the lead) and public support, mainly through export subsidies targeted to the multinationals and the provision of regional public goods (mainly infrastructures). Strong opposition to these subsidies by farmers' unions led to their withdrawal in 1999. Today, public support consists in extending locally programs for small holders to cope with standards requirements (Veerabadren, 2004) and the policy-making process is targeted towards the international level (e.g. trade negotiations with the European Union). The process is headed by a single organization, the National Chamber of Pineapple Producers and Exporters (Canapep), created in 2003, that represents the interests of large-scale producers and exporters. The interests of small-scale producers are not represented. Figure 6 gives an illustration of the importance of the Canapep relationships network.

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<sup>4</sup> Compared to the policy shift experienced in the bean sector.



Figure 6: The policy making process in pineapple sector



Basically, Canapep's activities target the European Union and the United States, and consist in lobbying for an elimination of tariff barriers, to sustain the Costa Rican pineapple market. To achieve this goal, the Chamber focuses on gaining political support at national level in order to influence international trade negotiations. High ranking public stakeholders are enrolled in the process, including the President of the Republic, experts and officials in the Ministries of Foreign Trade and External Relations, members of Parliament, ambassadors and delegates from the EU and the USA in Costa Rica.

## ***2.5 Synthesis***

In each of the cases, the policy-making process involves a series of proposals and decisions. In three of the cases studied, the final decision negotiated with the executive or legislative body corresponds to a high extend to the proposal secured through advocacy organizations. In the bean sector however, there is a discrepancy between the final decision (negotiation of a low import tariff that serves the interests of industrials) and the one reached in the Commission (compromise on a fluctuant and medium import tariff that serves both the

interests of industrials and producers). These differences of degree of influence can be explained by organization's resources, as illustrated in Table 4.

Table 4: Correspondence between advocacy organizations' results and resources

	PO degree of influence	PO resources endowment			
		Technical abilities	Financial capacities	Human capital	Trajectory
Coffee	62%	Very high	High	Very high	70 years
Milk	100%	Very high	Very high	Very high	40 years
Bean	33%	Low	Very low	Low	10 years
Pineapple	100%	Very high	Very high	Very high	5 years

### **3. The economical role of producers' organizations**

To assess organizations' market oriented activities, we use Williamson's governance structure concept to describe the mechanisms prevailing in each one of the farm-sectors: this includes markets, hierarchies and hybrid forms (Williamson, 1996). We use these broad categories to synthetically describe the differences between the sectors. We do not aim at using them as an analytical tool since we do not intend to explore the types of governance. Thus, we have characterized the currently prevailing governance structures and described more precisely the role producers' organization play. A first observation (Table 5) leads us to the statement that the governance structures prevailing differ greatly from one farm sector to the other, and that in each one of the farm sectors, producers' organizations do play a role in the coordination of economic activities, but this role vary a lot according to considered farm sector

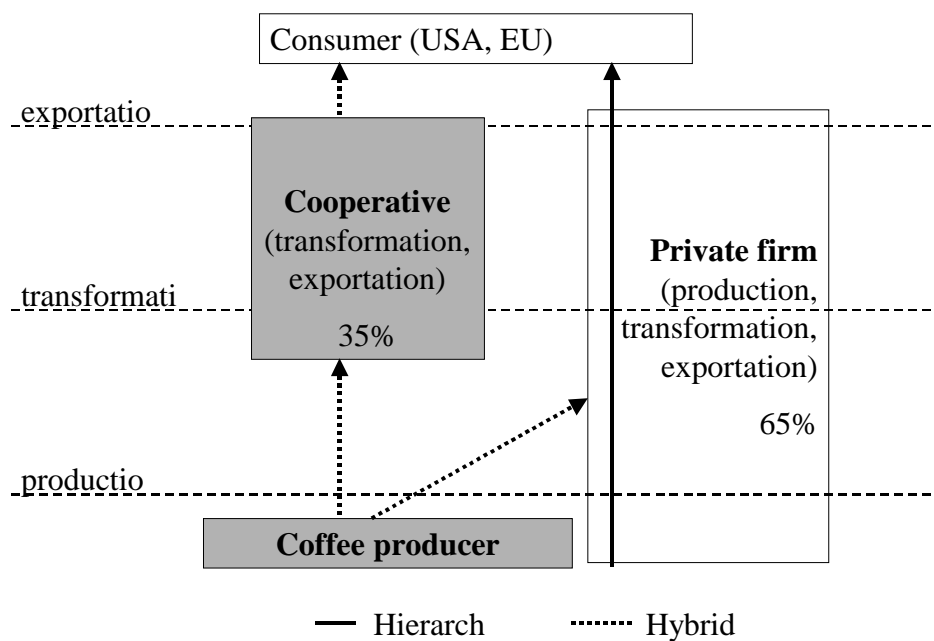
Table 5: Governance structures in the farm sectors studied

	Coffee	Milk	Bean	Pineapple
Main governance structure	Hybrid	Hierarchy	Market	Hierarchy
Other governance structure	Hierarchy	Hybrid	Hybrid	Market, hybrid
Producers' organizations' market share	35 %	95 %	10 %	15 %

### 3.1 Coffee sector

Coffee is one of the oldest agricultural commodities in Costa Rica. Production is sustained by a broad base of small-scale producers that historically play an important role in the construction of the democratic Costa Rican State (Peters and Samper, 2001). Coffee sector is characterized by a relatively low level of integration: indeed, since its inception, coffee production has mainly been the preserve of small-scale producers selling cherries to *beneficiadores* scattered in the central valley (Sfez, 2001). This initial low level of integration partially accounts for the current governance structure, represented in Figure 7. Economic activities are mainly managed by hybrid structures, that rely on the existence of contracts between producers and cooperatives (or private firms), and between cooperatives (or private firms) and exporters working with foreign importers in consumer countries.

Figure 7: Economic structure of the coffee sector



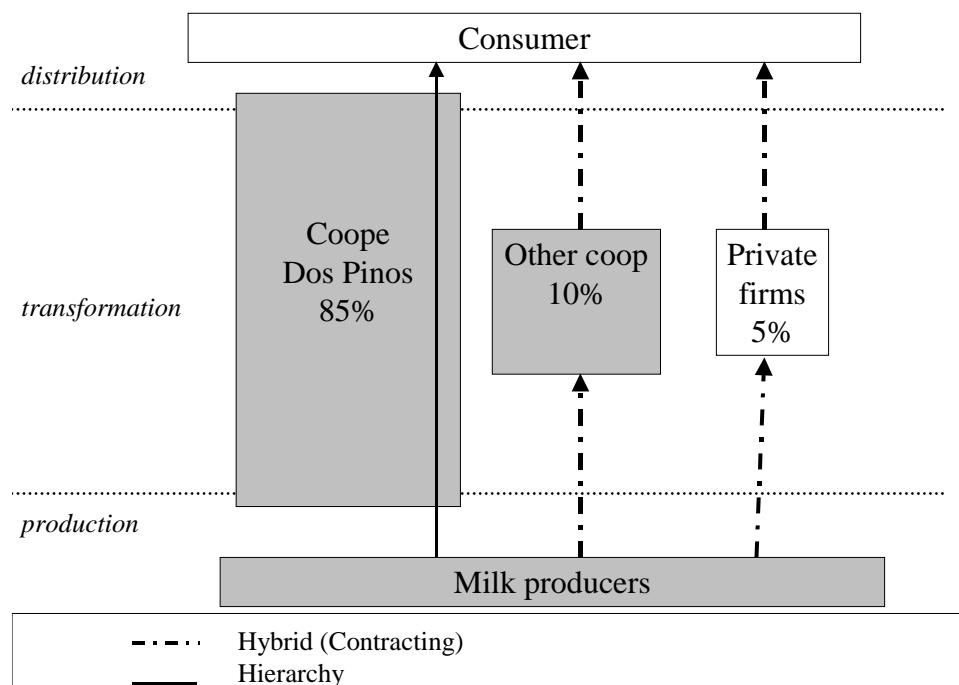
In the 1990s, coffee prices have been declining, despite the existence in Costa Rica of a national regulation system (Diaz, 2003). Since this crisis, cooperatives that mostly emerged in

the 1930s and consolidated in the 1960s are slightly losing market shares after a deep management crisis that necessitated their profound restructuring during the 1990s. On the other hand, private firms, which tend to integrate functions vertically, giving rise to hierarchical structures, are gaining importance. However, some cooperatives are evolving in emerging niche markets and directing themselves towards newly formed quality markets, complying with market demand standards. Evolve in emerging niche markets These cooperatives tend to integrate production and export functions, through (i) the implementation of tighter contractual arrangements with their members and (ii) the creation of consortiums (as for example the Coocafe initiative that represent more than 3500 producers and nine cooperatives certified “Fair trade coffee”).

### **3.2 *Milk sector***

Milk production in Costa Rica is carried out by a limited number of producers who tend to increase their acreage and to specialize: recent developments are marked by significant productivity gains (SEPSA, 2002). Hierarchy is the most important governance structure, and corresponds to a powerful organization called Coopedospinos, that emerged in the 1950s and progressively vertically integrated the entire milk sector, from production inputs to the distribution of processed goods to consumers (Melendez and Gonzalez, 1998). Coopedospinos producers tend to have larger farms than others, who supply smaller cooperatives or private firms, through contractual arrangements (see Figure 8). Small holders producers can hardly integrate Coopedospinos because the organization evolved towards a closed membership system and is close to the new generation cooperatives described in North America (Cook and Illiopoulos, 1999). With only 1,380 producers (27% of the milk producers in Costa Rica), the organization practically has monopoly over the domestic milk market.

Figure 8 Economic structure of the milk sector



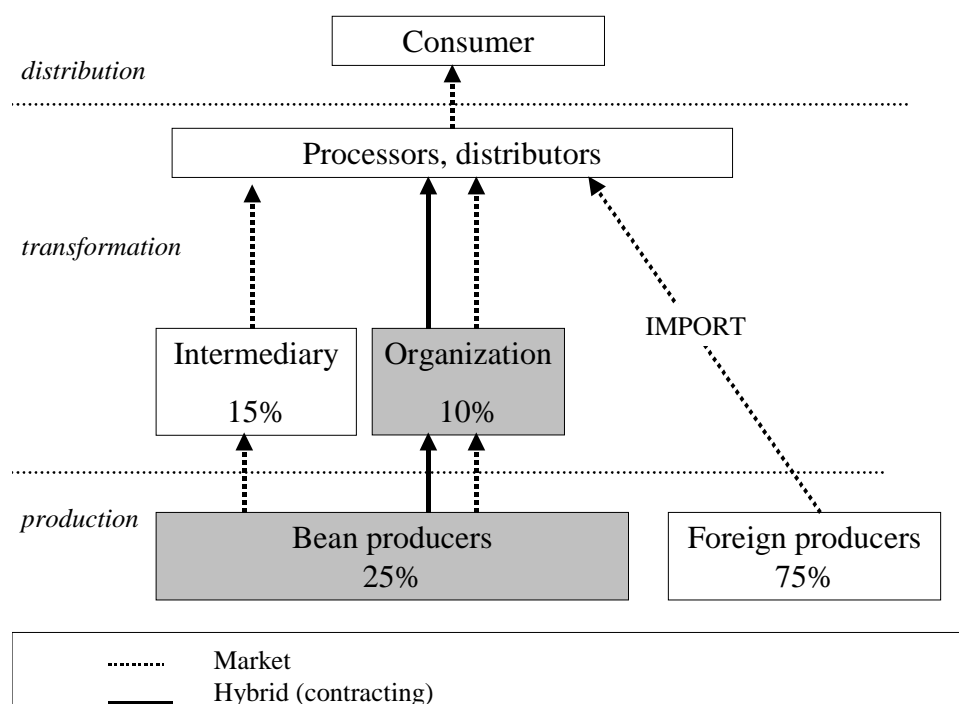
This position would not have been possible without the existence of a system of high import tariffs that totally protect the domestic milk market and has been presented in section II as a result of advocacy organizations' participation to policies making processes. In the last ten years, Coopedospinos has strengthened its economic weight, and developed exports towards North and Central American markets (a 10% of its production is exported).

### 3.3 *Bean sector*

Black bean is a major component of the diet in Costa Rica. Traditionally, bean has been produced by a large number of small-scale producers (Dioniso, 1991) and up to 1994, its production was supported by public programs for purposes of self-sufficiency. Prices were subsidized and the Ministry of Agriculture was in charge of cleaning, packaging and distribution operations. At that time, bean producers had no other uncertainty than climate to cope with, and there were no organizations in this farm-sector. Nevertheless, the withdrawal of direct State support in 1995 led to a quick and strong decline of the activity, and to the

disappearance or reorientation of many small-scale producers (Salazar, 2005). Currently, in the bean sector, economic transactions are essentially market-oriented, and more than 75% of the bean consumed in Costa Rica is imported by private firms encouraged by a low import tariff (we saw in section II that the low efficiency of organizations that participate to policy negotiations is in direct link with this low tariff). The bean produced in Costa Rica itself is marketed without any kind of vertical structure or contract. Recently structured producers' organizations are trying to establish contracts with private firms and with producers (see Figure 9), but business is tough since producers are not used to such contracts and tend to sell their production to intermediaries as they show off, breaching the established contracts between organizations and distribution firms.

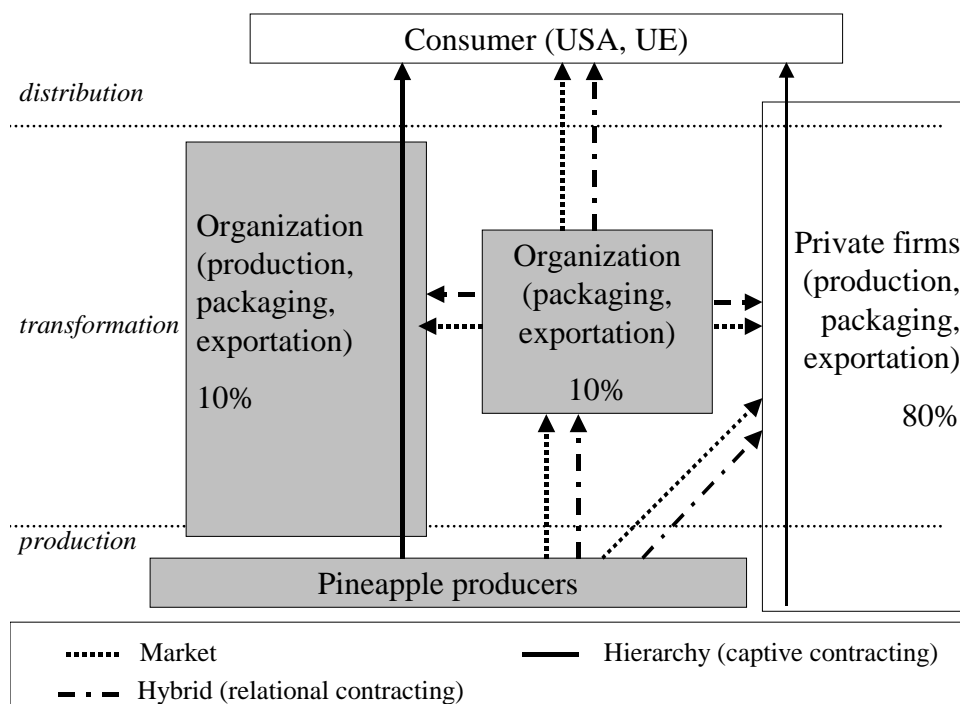
Figure 9: Economic structure of the bean sector



### 3.4 Pineapple sector

Pineapple is quite recent in Costa Rica as a significant export crop: its production for export rose dramatically since the end of the nineties. Such recent and rapid development is related to the setting up of multinationals in the mid-1980s and early 1990s (Quesada, 1999), supported by important public programs (that ended in 1999). In the last ten years, this trend was followed by the re-orientation of many producers towards pineapple production (Veerabadren, 2004). In the 1990s, multinational firms extended their packaging and export functions to include production activities, thus vertically integrating the entire sector. Today, these private hierarchical forms are reflected in the governance structure. However, they are slightly loosing relative economic weight (and indeed their position of quasi “unique” actors), due to: (i) the recent emergence of producers’ organizations that give rise to hybrid structures (or even to hierarchical structures), and (ii) the dynamism of the market that makes contract enforcement a hard task for the firms confronted to the free riding of producers.

Figure 10: Economic structure of the pineapple sector



### 3.5 *Synthesis*

Producers' organizations are of special importance in the coordination of economic activities, but their control on market differs from one farm sector to the other, ranging from a 10% of market share in the bean sector to a 95% of market share in the milk sector. Such level of importance has evolved over time, revealing different adaptive capacities to cope with (i) risk and vulnerability issues, and (ii) new standards compliance requirements, mostly, but not exclusively, in international markets.

- Milk is a fresh and perishable product that needs tight management to avoid health hazards: dairy cooperatives nowadays largely comply with safety standards. Coopedospinos succeeds in maintaining its monopolistic position, leaving very little room to smaller cooperatives and private firms. In this situation, small holders tend to be excluded from the sector.
- Just as milk, pineapple is a fresh and perishable product, and besides, its production must comply with European and US quality standards for fresh goods (Faure and Samper, 2006). New-born producers' organizations are gradually strengthening their economic position, challenging multinational companies, thus revealing strong adaptive capacities.
- Coffee sector must also cope with new quality standards through product differentiation strategies. If cooperatives are relatively loosing importance in comparison with private firms and have difficulties to adapt to the international context, the cooperatives that evolve towards emerging niche markets and comply with new standards (organic, origin-based, fair trade coffees) can be a good option for small holders to maintain themselves in the activity.
- In the bean sector, recently created market-oriented organizations are experiencing hard times because the liberalization implemented means increased imports. This



situations has to do with the poor degree of policy influence of organizations in the bean sector, that fail to negotiate a high tariff that would fully protect bean producers from imports.

In milk, pineapple and coffee sector, hierarchy, though not exclusively, shapes governance structures. To some extent, hierarchies correspond to the existence of dominant stakeholders, as the Coopedospinos in milk sector, national firms or cooperatives in coffee sector, and multinational companies in pineapple sector. In this cases, there is a positive relation between the governance structure (hierarchy or captive contracting) and the capacity of organizations to adapt and in return shape institutional changes. In bean case, there is a negative relation between the governance structure (market or modular contracting) and the capacity of organizations to adapt and influence institutional changes.

## **Conclusion**

We underlined the importance of the institutional and organizational linkages between so called “policy oriented” organizations and “market oriented” ones. Producers’ organizations play a key role in the regulation of farm-sectors, particularly in facilitating both participation in policy-making processes and producers’ domestic and international market insertion. But their political and economic weight differs considerably among the sectors. Some organizations experience relative institutional continuity (milk and coffee sectors) and are part of a thick institutional system that brings together stakeholders sharing a minimum of common interests around the sector. They rely on it to build new arrangements. More recent<sup>5</sup> organizations (pineapple sector) present a high degree of influence linked to the convergence with the liberalization process. Others experience institutional shocks (bean sector) and engage a learning process to participate in policy-making processes. Our analysis, based on empirical evidence, reveals that there is an interrelation between the intensity of the economic

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<sup>5</sup> Considering only the organization per se, appreciation may be different given that individuals may possess deep experience acquired in other organizations

coordination and the influence on the policy-making process. A stakeholder's dominant economic position in the value chain (pineapple or milk) corresponding to hierarchical coordination is associated with a strong influence on policy-making. We may extend this to the coffee sector to a lesser extent due to lower concentration of economic power, which in turn is compensated by stronger and historical ties between sector professionals and policy makers.

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